FOND DU LAC COUNTY

MANAGEMENT COMMUNICATIONS

DECEMBER 31, 2019

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To the County Board
Fond du Lac County, Wisconsin

We have audited the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Fond du Lac County (the County) as of and for the year ended December 31, 2019, and have issued our report thereon dated July 30, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the net pension liability, deferred outflows of resources, and deferred inflows of resources for pension benefits is based on an actuarial study performed by an independent qualified actuary contracted by the Wisconsin Retirement System in accordance with GASB No. 68 – *Accounting and Fiscal Reporting for Pensions* – an amendment of GASB No. 27. We evaluated the key factors and assumptions used to develop the pension estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the useful lives of capital assets is based on the County's capitalization policy. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the other postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management estimated an allowance for forgiveness of loans receivable for the agreement with Mercury Marine and Alliance Laundry Systems. This estimate is based upon management's interpretation of the terms of the loan agreement. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected Misstatements

None of the misstatements detected as a result of audit procedures and corrected by management are material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 30, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management Prior to Engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of expenditures of federal awards (SEFA) and schedule of expenditures of state awards (SESA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquires of management and evaluated the form, content, and methods of preparing the SEFA and SESA to determine that the SEFA and SESA complies with the requirements of the Uniform Guidance and *State Single Audit Guidelines*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA and SESA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA and SESA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated July 30, 2020.

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated July 30, 2020.

The introductory sections and statistical tables accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the County Board and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Sheboygan, Wisconsin
July 30, 2020

APPENDIX A

FINANCIAL TRENDS OF YOUR COUNTY

GOVERNMENTAL FUND BALANCES

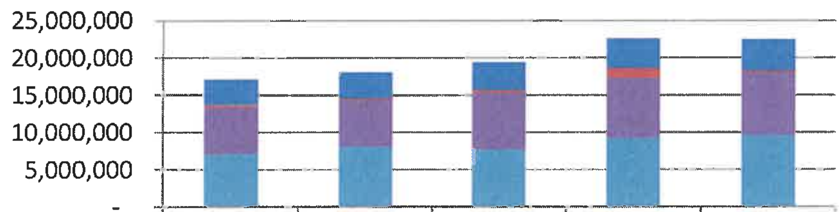
Presented below is a summary of the County's governmental fund balances on December 31, 2019 and 2018. This information is provided for assessing financial results for 2019 and for indicating financial resources available at the start of the 2020 budget year.

	12/31/19	12/31/18
General Fund		
Nonspendable	$ 4,269,299	$ 4,041,476
Restricted	228,121	1,259,667
Assigned	8,381,719	8,112,736
Unassigned	9,636,449	9,216,861
Total General Fund Balance	22,515,588	22,630,740
Debt Service Fund	3,875,572	2,877,492
Special Revenue Funds		
Department of social services	485,655	418,781
Department of community programs	245,999	50,943
Nutrition program	143,893	138,898
County roads and bridge	5,464,082	4,456,563
Total Special Revenue Funds	6,339,629	5,065,185
Capital Projects Fund		
Capital Projects Main Hwy Garage	1,817,194	2,707,789
Permanent Fund		
Sheriff canine program	69,236	50,551
Total governmental fund balances	$ 34,617,219	$ 33,331,757

GENERAL FUND BALANCE ANALYSIS

Presented below is a fund balance analysis for the General Fund for fiscal years 2015-2019. This information is presented to assist the County in assessing fund balance levels at the end of the fiscal year 2019 and the trend over the past five years.

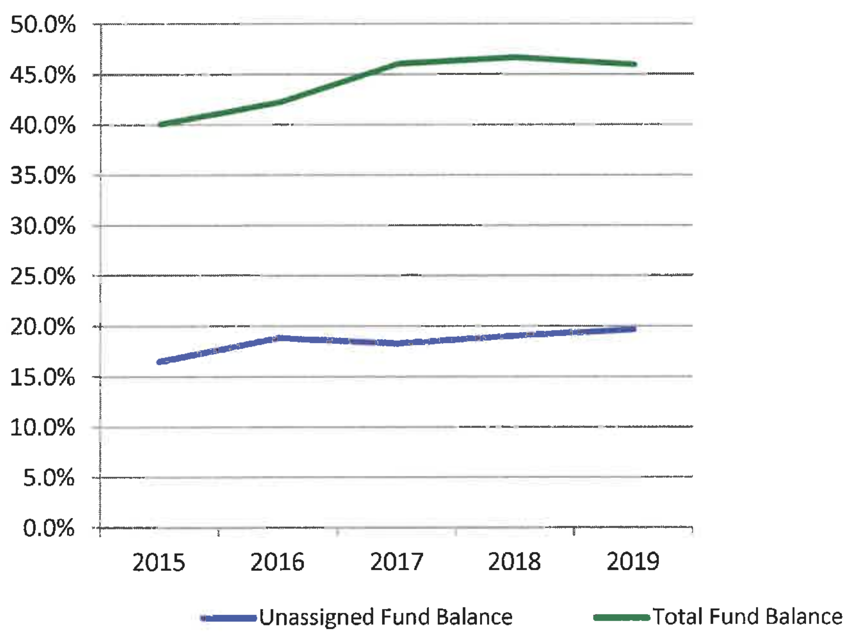
Components of Fund Balance-General Fund



	2015	2016	2017	2018	2019
Nonspendable	3,464,411	3,604,377	3,814,264	4,041,476	4,269,299
Restricted	321,897	357,280	322,619	1,259,667	228,121
Assigned	6,314,801	6,104,425	7,599,271	8,112,736	8,381,719
Unassigned	7,070,691	8,075,723	7,715,816	9,216,861	9,636,449

FUND BALANCE AS A PERCENTAGE OF GENERAL FUND ACTUAL EXPENDITURES

Fond du Lac County maintains unassigned fund balance in order to maintain sufficient cash reserves for working capital, emergency expenditures and to protect the County's bond rating. The following graph highlights the trends over the most recent five year period.



At December 31, 2019, the County's unassigned general fund balance of $9,636,449 represents approximately 20% of the expenditures of the general fund.

COMPARATIVE SUMMARY OF COMMUNITY PROGRAMS SPECIAL REVENUE FUND

Presented below is a summary of the Community Programs Special Revenue Fund as of December 31, 2019 along with a comparison to the prior year.

	12/31/19	12/31/18
Revenues		
Taxes	$ 5,859,333	$ 5,871,569
Intergovernmental	5,171,503	4,499,850
Public charges for services	5,051,823	5,000,567
Intergovernmental charges for services	1,318,663	1,044,533
Interdepartmental charges for services	38,307	109,603
Miscellaneous	2,865	109,778
Prior year revenue	1,523,213	389,209
Total revenues	18,965,707	17,025,109
Expenditures		
Current		
Health and human services	17,337,328	15,530,237
Excess of revenues over expenditures	1,628,379	1,494,872
Other financing uses		
Transfers out	(1,433,323)	(1,461,822)
Net change in fund balances	195,056	33,050
Fund balance - January 1	50,943	17,893
Fund balance - December 31	$ 245,999	$ 50,943

The Department of Community Programs reported revenues in excess of expenditures of $1,628,379 for 2019 compared to $1,494,872 for the previous year. In addition the Department transferred $1,433,323 back to the general fund for 2019.

COMPARATIVE SUMMARY OF SOCIAL SERVICES SPECIAL REVENUE FUND

Presented below is a summary of the Social Services Special Revenue Fund as of December 31, 2019 along with a comparison to the prior year.

	12/31/19	12/31/18
Revenues		
Taxes	$ 9,596,530	$ 9,329,887
Intergovernmental	15,030,376	15,832,603
Public charges for services	436,626	536,278
Intergovernmental charges for services	62,290	20,275
Interdepartmental charges for services	309,248	314,161
Miscellaneous	46,566	45,807
Prior year revenue	48,953	11,448
Total revenues	25,530,589	26,090,459
Expenditures		
Current		
Health and human services	24,019,636	24,770,672
Excess of revenues over expenditures	1,510,953	1,319,787
Other financing uses		
Transfers out	(1,444,079)	(1,293,202)
Net change in fund balances	66,874	26,585
Fund balance - January 1	418,781	392,196
Fund balance - December 31	$ 485,655	$ 418,781

The Department of Social Services reported revenues in excess of expenditures of $1,510,953 for 2019 compared to $1,319,787 for the previous year. In addition, the Department transferred $1,444,079 back to the general fund for 2019.

SUMMARY OF HIGHWAY DEPARTMENT FUND

The County utilizes a proprietary fund to account for the road and bridge construction and maintenance services provided to other governments by the Highway Department. A summary of the Highway Department proprietary fund for 2019 and 2018 follows:

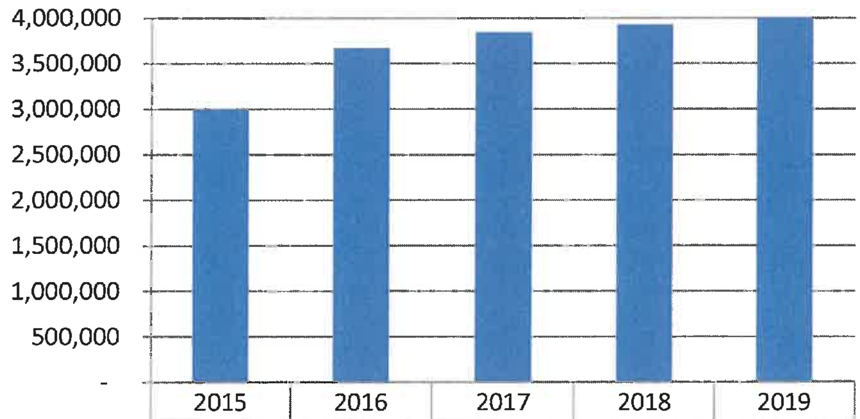
	12/31/19	12/31/18
Operating revenues		
Charges for services	$ 20,715,293	$ 17,784,142
Other	9,745	8,065
Total operating revenues	20,725,038	17,792,207
Operating expenses		
Operation and maintenance	18,796,603	16,082,002
Depreciation	1,283,963	1,209,530
Total operating expenses	20,080,566	17,291,532
Operating income	644,472	500,675
Nonoperating revenues (expenses)		
Intergovernmental	430	37,000
Miscellaneous revenue	97,815	23,784
Loss on disposal of capital assets	(38,103)	(104,369)
Total nonoperating revenues (expenses)	60,142	(43,585)
Income before transfers	704,614	457,090
Transfers out	(229,174)	(185,716)
Change in net position	475,440	271,374
Net position - January 1	16,329,955	16,058,581
Net position - December 31	$ 16,805,395	$ 16,329,955

The Highway Department proprietary fund reported income before contributions and transfers of $704,614 for the year ended December 31, 2019 compared to $457,090 for the prior year.

Since the Highway Department is accounted for as a proprietary fund, the above net position of $16,805,395 includes the book value of highway equipment, as well as, other non-cash equity.

WORKING CAPITAL - HIGHWAY

The following graph presents an overview of the Highway Fund's working capital for the most recent five year period. Working capital represents the current assets less current liabilities.



	2015	2016	2017	2018	2019
Working Capital	2,995,725	3,675,447	3,846,340	3,930,179	4,321,142

The Highway Department held unrestricted cash and investments of $2,098,968 on December 31, 2019, which was a decrease of $313,017 from the balance of $2,411,985 which was held on December 31, 2018.

SUMMARY OF HIGHWAY MACHINERY OPERATIONS COST POOL

Transportation cost pools are used to accumulate those costs of the Highway Department where the intent is to recover expenses of operations, including depreciation on Highway buildings and equipment, directly from user charges for service. The cost pool accounting system is designed to match all revenues and expenses of a particular operation and aid management in determining the adequacy of rates being charged and the cost effectiveness of each operation. Presented below is a summary of the machinery operations cost pool of the highway department fund for 2019 and 2018.

	12/31/19	12/31/18
Charges for services	$ 3,550,852	$ 3,082,920
Expenses		
Labor and fringe benefits	362,661	426,467
Fuel	510,276	481,606
Materials and supplies	415,910	441,558
Overhead	378,836	368,898
Sundry	82,199	86,301
Depreciation on equipment	1,016,151	912,635
Total expenses	2,766,033	2,717,465
Operating income	$ 784,819	$ 365,455

As shown above, the machinery operations cost pool had a net operating income of $784,419 in 2019 compared to $365,455 for 2018. Revenues increased by about $467,932 or 15.2% in 2019.

SUMMARY OF HARBOR HAVEN HEALTH AND REHABILITATION ENTERPRISE FUND

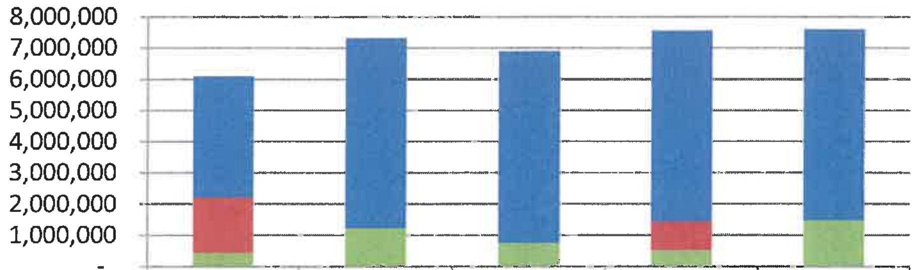
The County utilizes an enterprise fund to account for the operations of Harbor Haven Health and Rehabilitation, a nursing home for the elderly and needy of the County. A summary of the Harbor Haven Health and Rehabilitation enterprise fund for 2019 and 2018 follows:

	12/31/19	12/31/18
Operating revenues		
Public charges for services	$ 8,675,981	$ 8,262,051
Interdepartmental charges for services	683,437	680,034
Miscellaneous	13,974	26,602
Total operating revenues	9,373,392	8,968,687
Operating expenses		
Operation and maintenance	10,231,324	9,603,984
Depreciation	488,134	458,382
Total operating expenses	10,719,458	10,062,366
Operating loss	(1,346,066)	(1,093,679)
Nonoperating revenues (expenses)		
Property taxes	440,000	729,265
Intergovernmental operating grant	945,171	1,286,269
Loss on disposal of capital assets	(191)	(42,864)
Total nonoperating revenues (expenses)	1,384,980	1,972,670
Change in net position	38,914	878,991
Net position - January 1	7,560,345	6,681,354
Net position - December 31	$ 7,599,259	$ 7,560,345

Harbor Haven Health and Rehabilitation reported an operating loss of $1,346,066 in 2019 compared to an operating loss of $1,093,679 for the prior year. Total revenue increased by approximately 4.5%.

HARBOR HAVEN HEALTH AND REHABILITATION NET POSITION

The following is an analysis of the funds net position for the past five years. This information is presented to assist County management in assessing equity levels at the end of the fiscal year and the trend over the past five years.



	2015	2016	2017	2018	2019
Net Investment in Capital Assets	3,882,211	6,109,242	6,150,603	6,118,884	6,122,595
Restricted	1,770,406	-	-	910,139	-
Unrestricted	448,793	1,220,220	750,033	531,322	1,476,664

APPENDIX B

TECHNICAL UPDATE

GASB Standards that were effective for the County's 2019 fiscal year:

GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

GASB Statement No. 88 improves the consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. The statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Requires disclosure of additional essential information about debt. The statement is effective for the County beginning with the 2020 fiscal year.

GASB Statement No. 84 – Fiduciary Activities

GASB Statement No. 84 establishes criteria for identifying fiduciary activities for state and local governments, focusing on (1) whether the government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception is provided for a business-type activity that normally expects to hold custodial assets for three months or less. Different criteria are included for fiduciary component units and postemployment benefit arrangements.

The main changes of this statement:

1. Governments may find additional activities that need to be reported as fiduciary that were not reported in the past.
2. Some activities treated as fiduciary may no longer be reported as fiduciary.
3. Agency funds will now be called custodial funds.
4. A statement of changes in fiduciary net position will be required for custodial funds.
5. Liabilities will be reported when an event has occurred that compels the government to disburse fiduciary resources.
6. Single purpose business-type activities will be required to report fiduciary activities unless the above exception applies.

The statement is effective for the County beginning with the 2020 fiscal year.

The remaining GASB standards have been issued but are not yet effective.

GASB Statement No. 87 – Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Specifically, this statement:

1. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
2. Defines the "lease term" and clarifies when lessees and lessors should reassess the lease term due to lease modifications or terminations.
3. Defines and establishes recognition criteria for short-term leases.
4. Amends accounting and financial reporting requirements for contracts with multiple components, contract combinations, subleases, and leaseback transactions.

The statement is effective for the County beginning in the 2022 fiscal year.

Steps that can be taken now:

1) **Gather leases and contracts**. Depending on the number of leases your organization has, this may be a bigger challenge than anticipated. Keep in mind that not all leases are written "lease" agreements. Some contracts also include embedded leases that were previously treated as expenses, so you may be surprised to find more operating leases than you realized. Checking accounts payable for recurring payments may help you locate agreements that you'll need to analyze.

2) **Analyze all contracts to determine which are leases under the new standard**. GASB 87 defines a lease as a "contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset), as specified in the contract, for a period of time in an exchange or exchange-like transaction." Here are some of the agreements that can be excluded:

    - Short-term leases that are one year or less in duration.
    - Intangibles, such as investment assets, software licenses, and patents.
    - Financed purchases, where ownership of the asset transfers at the end of the lease without an additional payment.

3) **Review leases for multiple components.** Some leases include service agreements that will need to be split off from the entire lease. Many agreements (like service agreements and supply contracts) may qualify as leases under GASB 87. Some examples of service contracts that may have embedded leases can include cafeteria equipment, soda fountains, water coolers, coffee machines, etc. where the government may get to use a particular piece of equipment for free in return for the exclusive use of the provider's products.

4) **Determine appropriate materiality thresholds for capitalization**. Work with your auditor to determine what this should be. Be aware that items that are well below that threshold individually may be material in the aggregate.

5) **Select a technology solution such as leasing software to help manage your leases**. Unless your organization only has a few leases, the calculations for journal entries and footnote disclosures will most likely be beyond the capabilities of Excel. When choosing a software solution, keep in mind that tracking this information from leases will be an ongoing project, so look for one that's easy to use and provides your organization with all the information you'll need. Make sure to consider document storage as part of the capabilities. Entities with greater than 10-20 identified leases may wish to seriously consider a lease software solution and not rely on spreadsheets. Keep in mind that if a government has many similar leases, it may choose to amortize the lease assets as a group rather than individually. Composite depreciation is applied to groups of dissimilar assets, but should not be applied across classes of assets, such as buildings, equipment, furniture, and vehicles.

6) **Consider the County's bond covenants, loan covenants, and debt limitations to determine impact**. While a recent update from GASB (GASB 88) specifies that lease liabilities are excluded from the definition of debt for the purposes of financial statement disclosures, it's not clear whether banks, credit rating agencies or other stakeholders will take a similar stance.

   Adding liabilities for operating leases to the balance sheet may mean that covenants for bond contracts and loan agreements will be violated. If this is the case, you may need to renegotiate those agreements. Contacting these stakeholders and other interested parties early on is crucial.

   Adding to the complexity, the rules and statutes governing debt limitations vary across states, counties, and municipalities. You may need to consult with an attorney to determine whether lease liabilities count as debt for those limitations.

7) **Develop new County policies and procedures as necessary.** Unlike many other financial controls, you'll need to work as a team with people outside of accounting, including procurement, IT, and legal, to make sure all leases and contracts go through accounting. You may need to educate others about the balance sheet impacts of leases.

8) **Do your initial calculations and run the results past your auditor**. Because the calculations are different from the previous treatment of leases, some advisors are recommending performing a trial calculation on a subset of your leases. Then, ask us as your auditors to check your numbers before you do the entire population of leases.

9) **Begin the process early**. Early adopters report that they need two or three hours per lease to analyze and extract the data. Adding to the challenge, many government finance professionals wear many hats, and dealing with financial matters may be only a small part of their responsibilities. Be sure to keep the resulting information very organized and accessible and also keep in mind the new information that will be required for footnote disclosures.

10) **Start learning and keep learning**. Understanding the new standards is a steep learning curve. You'll need to dedicate time and resources for your team to get up to speed.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 89 provides that for financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. The statement is effective for the County beginning in the 2021 fiscal year.

GASB Statement No. 91 – Conduit Debt Obligations

The primary objective of GASB Statement No. 91 is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement is effective for the County beginning in the 2022 fiscal year.

APPENDIX C

Fond du Lac County

OFFICE OF THE COUNTY EXECUTIVE **160 S. Macy Street**
(920) 929-3155 **Fax (920) 929-3016** **Fond du Lac WI 54935**

July 30, 2020

CliftonLarsonAllen LLP
712 Riverfront Drive, Suite 301
Sheboygan, WI 53081

This representation letter is provided in connection with your audit of the financial statements of Fond du Lac County, which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of July 30, 2020, the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2019.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 6, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

2. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We have not identified or been notified of any uncorrected financial statement misstatements.

9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.

10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

11. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.

12. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.

13. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

14. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

15. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.

16. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.

17. We believe that all material expenditures that have been deferred to future periods will be recoverable.

18. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

19. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.

20. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

e. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.

f. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.

g. Access to all audit or relevant monitoring reports, if any, received from funding sources.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

   a. Management;

   b. Employees who have significant roles in internal control; or

   c. Others when the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.

7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.

8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

11. We have a process to track the status of audit findings and recommendations.

12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Fond du Lac County, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

15. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.

16. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

17. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.

18. The financial statements properly classify all funds and activities.

19. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

20. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

21. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

22. Provisions for uncollectible receivables have been properly identified and recorded.

23. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

24. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

25. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

26. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

27. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

28. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

29. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

30. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

31. We agree with the findings of specialists in evaluating the other postemployment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.

32. With respect to federal and state award programs:

    a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Guidelines issued by the Wisconsin Department of Administration including requirements relating to preparation of the schedule of expenditures of federal and state awards.

    b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance and the schedule of expenditures of state awards (SESA) in accordance with the requirements of the State Single Audit Guidelines, and we believe the SEFA and SESA, including its form and content, is fairly presented in accordance with the Uniform Guidance and the State Single Audit Guidelines. The methods of measurement and presentation of the SEFA and SESA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SESA.

    c. If the SEFA and SESA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SESA no later than the date we issued the SEFA and SESA and the auditors' report thereon.

    d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and State Single Audit Guidelines compliance audit, and included in the SEFA and SESA expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal or state awards, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e. We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major federal and state program.

f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

g. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.

h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

i. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the OMB Compliance Supplement and the State Single Audit Guidelines, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.

j. We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.

r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

s. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.

t. We have charged costs to federal and state awards in accordance with applicable cost principles.

u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and State Single Audit Guidelines, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and State Single Audit Guidelines.

Signature: Tammy Pinno ______ Title: Finance Director
Tammy Pinno

Signature: Stacie Basler ______ Title: Assistant Finance Director
Stacie Basler